

Meeting Date: Tuesday 29 October 2019
Location: Council Chambers, Level 1A, 1 Pope Street, Ryde
Time: 7.00pm

*Council Meetings will be recorded on audio tape for minute-taking purposes
as authorised by the Local Government Act 1993. Council Meetings will also be webcast.*

NOTICE OF BUSINESS

Item	Page
1 2018/2019 DRAFT FINANCIAL STATEMENTS.....	1

1 2018/2019 DRAFT FINANCIAL STATEMENTS

Report prepared by: Senior Coordinator - Financial Reporting and Operations
File No.: GRP/09/5/14 - BP19/1268

REPORT SUMMARY

The purpose of this report is to provide an outline of the Council's 2018/19 Draft Financial Statements and its associated statutory obligations.

Council is required to prepare Financial Statements in accordance with the Local Government Act and Regulations, Local Government Code of Accounting Practice and Australian Accounting Standards. At its 27 August meeting, Council resolved to release the unaudited 2018/19 Draft Financial statements for external audit.

The external audit is now complete and the 2018/19 Draft Financial Statements are required (by legislation) to be endorsed by Council and then placed on public exhibition. In addition to this, Council must ensure that its audited Financial Statements are lodged with the Office of Local Government no later than 31 October 2019.

RECOMMENDATION:

- (a) That the Mayor, Deputy Mayor, General Manager and the Responsible Accounting Officer sign the 'Statement by Councillor and Management' for both the General Purpose and Special Purpose Financial Statements, as contained in the 2018/19 Draft Financial Statements;
- (b) That Council endorses the 2018/19 Draft Financial Statements to be placed on public exhibition with a view of tabling any community feedback at the 26 November 2019 Council meeting; and
- (c) That Council's Meeting on Tuesday, 26 November 2019 be fixed as the date for the public meeting to allow Council's external auditors to present the audited Financial Statements and Independent Auditor's Report for the year ended 30 June 2019.

ATTACHMENTS

- 1 2018-2019 Draft Financial Statements - CIRCULATED UNDER SEPARATE COVER

ITEM 1 (continued)

Report Prepared By:

Christine Joyce
Senior Coordinator - Financial Reporting and Operations

Report Approved By:

Pav Kuzmanovski
Chief Financial Officer

Steven Kludass
Director - Corporate Services

ITEM 1 (continued)

Discussion

2018/19 Draft Financial Statements

The 2018/19 Draft Financial Statements have been audited by Grant Thornton via the Audit Office (AO). The AO have provided Council with an unqualified audit opinion and will present their findings and the conduct of the audit to Council's Audit, Risk and Improvement Committee (ARIC) prior to this Council meeting. A summary of Council's financial performance and position is provided below.

Income Statement and Statement of Financial Position

Council's Income Statement for the financial year discloses that the net Operating Result from Continuing Operations was a surplus of \$54.3m. The surplus is primarily attributed to Developer Contributions totalling \$38.0m which have been allocated to fund future capital works. Council's Operating Surplus, excluding capital revenue, was \$12.0m.

Council's Statement of Financial Position discloses net assets of \$1.55 billion, primarily made up of Infrastructure related assets of \$1.18 billion (net value).

Council's cash position indicates a balance of \$232m in cash and investments. The following is a summary breakdown by Reserve.

Reserve	Amount (\$M)
Externally Restricted - S94 Develop Contributions	\$103
Externally Restricted - Unexpended Grants	\$8
Externally Restricted - Domestic Waste	\$15
Externally Restricted - Other Externally Restricted	\$7
Internally Restricted – Refundable Deposits	\$16
Internally Restricted – Asset Replacement Reserve	\$18
Internally Restricted – Investment Property Reserve	\$22
Internally Restricted – Ryde Central Reserve	\$16
Internally Restricted – Other	\$27
Total	\$232

These funds have been allocated to future works in Council's Delivery Program. Council's Working Capital position remains at \$4.5m.

A complete set of the 2018/19 Draft Financial Statements is **CIRCULATED UNDER SEPARATE COVER.**

ITEM 1 (continued)
Key Financial Performance Indicators

The Key Financial Performance indicators are outlined in the Code of Accounting Practice. The indicators allow for Council comparisons to be made across the NSW Local Government sector. The indicators are as follows:

	Amounts (\$'000)	Indicators			Benchmark
		2019	2018	2017	
1. Operating performance					
Total continuing operating revenue ¹ excluding capital grants and contributions – operating expenses ²	13,839	10.39%	12.99%	11.47%	> 0%
Total continuing operating revenue ¹ excluding capital grants and contributions	133,210				

Council's operating performance ratio was 10.39% which is well above the benchmark of zero.

2. Own source operating revenue

Total continuing operating revenue ¹ excluding all grants and contributions	124,922	71.18%	77.30%	75.83%	> 60%
Total continuing operating revenue ¹ inclusive of all grants and contributions	175,491				

Council's Own Source Operating Revenue ratio is above the benchmark of 60% which means that it has a relatively low reliance on grants to fund operating expenditure. This indicator assists when developing the budget to ensure that ongoing operations are funded from reliable and sustainable funding sources.

3. Unrestricted current ratio

Current assets less all external restrictions	78,852	2.90x	3.06x	3.44x	> 1.5x
Current liabilities less specific purpose liabilities	27,235				

Council's Unrestricted Current ratio is above the benchmark of 1.5. This benchmark will be used in the development in Council's Long Term Financial Plan to ensure that Council is financially sustainable and able to meet its ongoing short term financial obligations (Payroll and Creditors).

	Amounts (\$'000)	Indicators			Benchmark
		2019	2018	2017	
4. Debt service cover ratio					
Operating results ¹ before capital excluding interest and depreciation/impairment/amortisation (EBITDA)	31,776	31.74x	33.2x	27.65x	> 2x
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)	1,001				

ITEM 1 (continued)

Council's Debt Service ratio is above the benchmark of 2 and is capable of servicing its existing loan obligations as they are secured against rates income and factored into the budget. Council's total debt is considered extremely low at \$1.7m.

5. Rates and annual charges outstanding percentage

Rates and annual charges outstanding	4,609	4.92%	3.88%	3.63%	< 5%
Rates and annual charges collectible	93,739				

Council's Outstanding Rates and Annual Charges ratio is approaching the benchmark of 5%. Council has recently adopted a revised debt recovery policy and has commenced debt recovery in the 2019/20 financial year (noting that no debt recovery action is taken against eligible pensioners).

6. Cash expense cover ratio

Current year's cash, cash equivalents + Term Deposits	x 12	153,091	x	16.75	17.50	15.92	> 3
Payments from cash flow of operating and financing activities		109,683		months	months	months	months

Council's Cash Expense Cover ratio is above the benchmark of 3 months. This will begin to diminish in the next financial year as cash reserves are used to fund large capital projects.

¹ Excludes fair value adjustments, reversal of revaluation decrements, net gain/loss on sale of assets and net share/loss of interests in joint ventures

² Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Infrastructure Performance Indicators

Council's Infrastructure asset indicators (found in Special Schedule 7) are a summary of Council's infrastructure asset 'conditions' for the financial year. Special Schedule 7 is not audited by the Audit Office.

Infrastructure Asset Performance Indicators	2019	2018	2017	Benchmark
Buildings Infrastructure Renewals Ratio	219%	181%	194%	>100%
Infrastructure backlog ratio (WDV)	1.60%	1.80%	2.70%	< 2%
Asset maintenance ratio	102%	93%	93%	>100%
Infrastructure backlog ratio to agreed service level	1.20%	1.30%	2.00%	< 2%

ITEM 1 (continued)

A summary of the indicators show that Council is exceeding the benchmarks in all asset related categories. Council is spending more on its renewals than it is depreciating but still has a backlog of approximately \$12m that needs to be addressed. Funds have been allocated in the current 4 year Delivery Program to address this backlog.

Next Steps

The following timeframes for finalisation of the 2018/19 Draft Financial Statements are as follows:

Meeting with Audit, Risk and Improvement Committee	22 October 2019
2018/19 Draft Financial Statements to Council	22 October 2019
Independent Auditors Report Submitted	25 October 2019
Submit 2018/19 Financial Statements to OLG	28 October 2019
Final 2018/19 Financial Statements to Council (includes presentation to Councillors by External Auditors)	26 November 2019

Conclusion

Council remains in a strong financial position and has exceeded all Financial and Infrastructure key performance indicators. The external audit process is now complete and there will be no other adjustments required to the Financial Statements before they are formally presented to Council, together with the Auditors Report on 26 November 2019.